

Making Kentucky **STRONGER BY DEGREES**



**Presentation to the Kentucky Council on Postsecondary Education
By Bill Payne and Sherron Jackson
September 12, 2013**

2014-16 Budget Development Update

Topical Outline

- I. Operating Request
- II. Trust Funds
- III. Capital Request

I. Operating Request

Operating Request

Potential Funding Components

- Since mid-April, CPE staff has been meeting with campus presidents, CAOs, CBOs, and BULLS
- There appears to be general agreement that the Council's 2014-16 Operating Request should include the following components:
 - 1) College and Career Readiness
 - 2) Research and Economic Development
 - 3) Degree Production
 - 4) Kentucky Adult Learner Initiative

College and Career Readiness

Potential Features

- A request for College Readiness funding was included in the Council's 2012-14 budget recommendation
- For 2014-16, CPE staff and institutions have discussed an \$18.4 million request each year of the biennium
- Designed to increase college preparation levels of Kentucky students entering postsecondary education
- Funds will be distributed based on numbers of:
 - middle and high schools in service region;
 - K-12 teachers produced; and
 - developmental education students served.

College and Career Readiness

Potential Funding Levels

Funding Category	Fiscal Year 2014-15	Fiscal Year 2015-16
K-12 Teacher Preparation	\$6.0 M	\$6.0 M
College and Career Pathways	5.5 M	5.5 M
Developmental Education	6.9 M	6.9 M
Program Totals	\$18.4 M	\$18.4 M
% Increase on FY14 Base (\$916.0 M)	2.0%	2.0%

Note: The above funding levels are for illustrative purposes only and may be subject to change. At this time, it is anticipated that \$5.5 million in recurring funds requested for College and Career Pathways will be appropriated to CPE prior to being distributed to the postsecondary institutions. Requested funding for K-12 Teacher Preparation and Developmental Education will be appropriated directly to the institutions.

College and Career Readiness

Uses of Program Funds

- K-12 Teacher Preparation (\$6.0 M)
 - Design and implement Clinical Model of teacher preparation
- College and Career Pathways (\$5.5 M)
 - Collaborate with middle and high schools to improve diagnostic assessment and placement testing
 - Design and implement transitional courses and summer bridge programs to address academic deficiencies
- Developmental Education (\$6.9 M)
 - Create a new model of developmental education that places students in credit bearing courses with academic support
 - Design and provide professional development to improve instruction and support student learning

College and Career Readiness Advantages

- Legislative interest in college and career readiness
- Builds on successful SB1 implementation
- Targets desired state goals for college readiness
- Well aligned with the Council's Strategic Agenda
 - Policy Objective 1: Increase the number of college ready Kentuckians entering postsecondary education (Strategy 1.2)
 - Policy Objective 3: Increase the effectiveness of Kentucky's K-12 teachers and school leaders (Strategy 3.1)

Research and Economic Development

Potential Features

- New initiative being developed by CPE staff, and campus CAOs, CBOs, and VPs of Research
- Potential \$15 million request each year of biennium
- Distributed among the research institutions:
 - 2/3 to UK; and
 - 1/3 to UofL.
- Uses restricted to targeted cluster hires in research focus areas that address pressing state needs
- May be linked to Bucks for Brains to maximize impact

Research and Economic Development

Potential Funding Levels

Institution	Fiscal Year 2014-15	Fiscal Year 2015-16
University of Kentucky	\$10.0 M	\$10.0 M
University of Louisville	5.0 M	5.0 M
Program Totals	\$15.0 M	\$15.0 M
% Increase on FY14 Base (\$916.0 M)	1.6%	1.6%

Note: The above funding levels are for illustrative purposes only and may be subject to change. At this time, it is anticipated that \$15 million in recurring funds requested for this program will be appropriated directly to the postsecondary institutions.

Research and Economic Development Advantages

- Targets research areas of important state need
- Builds on successful Bucks for Brains implementation
- Well aligned with the Council's Strategic Agenda
 - Policy Objective 6: Increase basic, applied, and translational research to create new knowledge and economic growth (Strategies 6.1, 6.2, & 6.4)
- Designed to:
 - Create “Clusters of Excellence” that benefit Kentucky
 - Encourage collaborative research between UK and UofL
 - Increase partnerships with business and industry
 - Create high-wage jobs in public and private sectors

Degree Production

Potential Features

- New performance funding approach developed by work group of CPE staff, CAOs, CBOs, and BULLS
- Potential \$15 million request each year of biennium (appropriated to institutions)
- Additional \$15 million request in the 2nd year (appropriated to CPE; disbursed to institutions)
- Distributed based on each institution's share of total degrees produced for the system
- Weighted by degree level, with premiums for STEM+H, low-income, and underrepresented student degrees

Degree Production

Potential Funding Levels

Institution/Agency	Fiscal Year 2014-15	Fiscal Year 2015-16
Public Institutions	\$15.0 M	\$15.0 M
Council on Postsecondary Education	--	15.0 M
Program Totals	\$15.0 M	\$30.0 M
% Increase on FY14 Base (\$916.0 M)	1.6%	3.3%

Note: The above funding levels are for illustrative purposes only and may be subject to change. At this time, it is anticipated that \$15.0 million in recurring funds requested in the first and second years of the biennium will be appropriated directly to the postsecondary institutions. The additional \$15 million requested in the second year will be appropriated to CPE prior to being distributed to the institutions.

Degree Production

Advantages

- Provides incentives for attainment of desired state goals for student success
- Multi-biennia approach provides incentives for future performance
- Possible cornerstone for expanded, long-term funding strategy
- First step toward addressing funding disparities
- Well aligned with the Council's Strategic Agenda
 - Policy Objective 4: Increase high-quality degree production and completion rates at all levels and close achievement gaps (Strategy 4.2)

Kentucky Adult Learner Initiative

Potential Features

- This is a new program being developed by CPE staff, and campus CAO and CBO work groups
- Outgrowth of the Adult Learner Degree Attainment Initiative (HB 265, 2012)
- Designed to increase college attainment of Kentucky's adult population through online learning opportunities
- Funding for this program could range between \$2.0 M and \$4.5 M each year of the biennium:
 - distributed based on level of participation in the initiative;
 - uses of funds may include infrastructure, coordination and administration, and student aid.

Kentucky Adult Learner Initiative

Advantages

- Addresses state directive to increase bachelor's degree completion among working age population (HB 265, 2012)
- Helps develop and improve educational opportunities for adult learners
- Well aligned with the Council's Strategic Agenda
 - Policy Objective 4: Increase high-quality degree production and completion rates at all levels and close achievement gaps (Strategy 4.4)
 - Policy Objective 8: Increase academic productivity through program innovations (Strategies 8.1 and 8.2)

Operating Request Summary

Potential Funding Levels

Funding Category	Fiscal Year 2014-15	Fiscal Year 2015-16
College and Career Readiness	\$18.4 M	\$18.4 M
Research & Economic Development	15.0 M	15.0 M
Degree Production	15.0 M	30.0 M
Kentucky Adult Learner Initiative	- TBD -	- TBD -
Operating Request Totals	\$48.4 M	\$63.4 M
% Increase on FY14 Base (\$916.0 M)	5.3%	6.9%

Note: The above funding levels are for illustrative purposes only and may be subject to change. At this time, it is anticipated that \$5.5 million of College and Career Readiness, and \$15.0 million of the Degree Production fund, will be appropriated to CPE prior to being distributed to the institutions.

II. Trust Funds

Bucks for Brains

Potential Features

- There have been four rounds of funding for this program since 1998 (total of \$410 million)
- Potential \$60 million request in 2014-16
- Allocated based on historical proportions and statutory provisions:
 - \$50 million to RCTF (2/3 to UK; 1/3 to UofL)
 - \$10 million to CUETF (net General Fund share)
- Uses of funds limited to activities and expenditures identified in Council approved guidelines
- Retain flexibility to endow or expend on capital

Bucks for Brains

Potential Funding Levels

Institution	Fiscal Year 2014-15	Fiscal Year 2015-16
University of Kentucky	--	\$33.3 M
University of Louisville	--	16.7 M
Comprehensive Universities	--	10.0 M
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Program Totals	--	\$60.0 M

Note: The above funding levels are for illustrative purposes only and may be subject to change. As has been the case in previous rounds of funding, it is anticipated that \$60 million in nonrecurring funds requested for this program will be appropriated to CPE prior to being distributed to the postsecondary institutions in accordance with Council approved guidelines.

Bucks for Brains

Advantages

- Targets desired state goals to:
 - grow university endowments;
 - increase endowed chairs; and
 - generate externally-sponsored research.
- Builds on successful implementation of earlier rounds of Bucks for Brains
- Well aligned with the Council's Strategic Agenda
 - Policy Objective 6: Increase basic, applied, and translational research to create new knowledge and economic growth (Strategies 6.1 and 6.4)

III. Capital Request

Capital Request

Capital Investments Model

Blended Investments Approach:

- Directs 53% of funds to Asset Preservation
- Directs 47% of funds to New/Expanded Space
- Provides pool for Information Technology initiatives
- Allows Institutionally Funded Capital Investments

Note: For purposes of illustration, \$600 million in capital investments would be requested and \$320 million would be directed to asset preservation while \$280 million would be directed to new/expanded space. A pool of \$60 million of additional funds would be requested for information technology.

Capital Request

Potential Features

- \$600 million total request (for 2014-16)
- Part of multi-biennia approach
- Debt typically issued in 2nd year
- Allocated based on each institution's share of:

- Base per Institution	\$15 M
- VFA Study Assessed Need	55%
- FTE Students	26%
- Total Public Funds	12%
- Research Dollars Generated	7%
- Uses of funds restricted to capital projects
- Same approach recommended in 2012-14

Capital Request

New Balanced Capital Strategy

- Multi-biennia funding approach
- Balanced investment as recommended by VFA study
- More flexibility to implement capital projects
- Allows for better capital planning on campuses
- Stronger protection of state owned assets
- Data driven process for distributing funds
- The process is transparent and supports accountability
- Takes advantage of low interest rates: \$600 M in capital for less than \$60 M in annual debt service

Capital Request

Potential Funding Levels

Category	Fiscal Year 2014-15	Fiscal Year 2015-16
Asset Preservation	--	\$320.0 M
New/Expanded Space	--	\$280.0 M
Information Technology Pool	--	\$60.0 M
Agency Bond Authority	\$600.0 M	--
Institutionally Funded Investments	\$2.729 B	--

Note: The above funding levels are for illustrative purposes only and may be subject to change.

Capital Request

Advantages

- In 2012-14, supported by presidents and elected leadership
- Promotes balance between asset preservation and new space
- Well aligned with VFA recommendations (blended approach)
- Scalable to any funding level
- Multiple biennia approach provides increased flexibility

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